

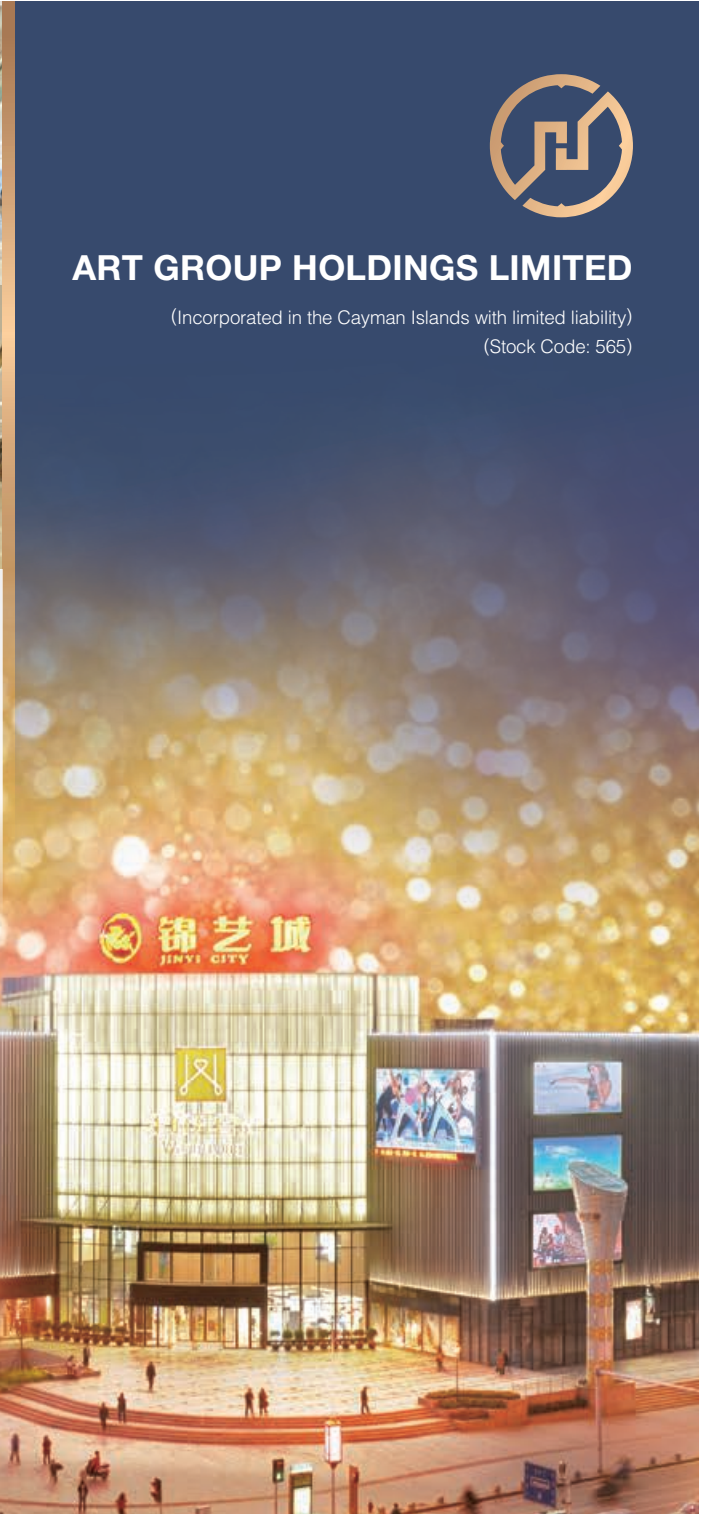


# ART GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 565)

INTERIM  
REPORT  
2016



## Corporate Information

### BOARD OF DIRECTORS

Mr. Chen Jinyan (*Chairman*)  
Mr. Chen Dong (*Chief Executive Officer*)  
Mr. Chen Jinqing  
Mr. Kwan Chi Fai\*  
Mr. Lin Ye\*  
Mr. Yang Zeqiang\*  
Ms. Chong Sze Pui Joanne\*

\* *Independent Non-executive Director*

### COMPANY SECRETARY

Ms. Yeow Mee Mooi

### AUDITOR

Dominic K.F. Chan & Co.

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1407, 14th Floor, China Merchants Tower  
Shun Tak Centre  
168 – 200 Connaught Road Central, Hong Kong  
Website: <http://artgroup.etnet.com.hk>

### REGISTERED OFFICE

P.O. Box 10008  
Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited  
P.O. Box 10008  
Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Industrial and Commercial Bank of China  
Bank of Communications  
Bank of Zhengzhou  
Hang Seng Bank

### SHARE LISTING

The Stock Exchange of Hong Kong Limited  
(Stock code: 565)

## Report on Review of Interim Financial Information



### TO THE BOARD OF DIRECTORS OF ART GROUP HOLDINGS LIMITED

錦藝集團控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

#### Introduction

We have reviewed the interim financial information set out on pages 3 to 28 which comprises the condensed consolidated statement of financial position of Art Group Holdings Limited and its subsidiaries as of 31 December 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

#### Dominic K.F. Chan & Co.,

*Certified Public Accountants (Practising)*

Rooms 2105-06, 21/F.,

Office Tower, Langham Place,

8 Argyle Street, Mongkok,

Hong Kong

24 February 2017

The board of directors (the “Board”) of Art Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2016 (the “Period”), which were reviewed by the auditor and the audit committee of the Company, together with the comparative figures for the corresponding period in 2015 are as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016

		Six months ended	
	NOTES	31.12.2016 (unaudited) HK\$'000	31.12.2015 (unaudited) HK\$'000
<b>Continuing operations</b>			
Turnover		87,059	54,840
Cost of sales		<u>(30,158)</u>	<u>(14,705)</u>
Gross profit		56,901	40,135
Other income		5,587	5,055
Administrative expense		(13,492)	(11,063)
Other expenses		(429)	(42,501)
Finance costs	4	<u>(21,364)</u>	<u>(30,143)</u>
Profit/(Loss) before tax		27,203	(38,517)
Income tax expense	5	<u>(10)</u>	<u>(2,238)</u>
Profit/(Loss) for the period from continuing operations	6	27,193	(40,755)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations (net of tax)	8	<u>–</u>	<u>284,769</u>
Profit for the period	6	27,193	244,014

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016

		Six months ended	
		31.12.2016 (unaudited) HK\$'000	31.12.2015 (unaudited) HK\$'000
	NOTES		
Other comprehensive (loss)/income			
Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries		–	(174,666)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		<b>(100,512)</b>	(56,576)
Other comprehensive loss for the period (net of tax)		<b>(100,512)</b>	(231,242)
Total comprehensive (loss)/income for the period		<b>(73,319)</b>	12,772
Profit/(loss) for the period attributable to:			
Owners of the Company			
– continuing operations		<b>18,955</b>	(42,433)
– discontinued operations	8	–	284,769
		<b>18,955</b>	242,336
Non-controlling interests			
– continuing operations		<b>8,238</b>	1,678
– discontinued operations	8	–	–
		<b>27,193</b>	244,014
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		<b>(62,196)</b>	25,728
Non-controlling interests		<b>(11,123)</b>	(12,956)
		<b>(73,319)</b>	12,772
EARNINGS/(LOSS) PER SHARE	9		
From continuing and discontinued operations			
Basic ( <i>HK cents per share</i> )		<b>0.71</b>	9.17
Diluted ( <i>HK cents per share</i> )		<b>0.71</b>	9.14
From continuing operations			
Basic ( <i>HK cents per share</i> ) ( <i>Note</i> )		<b>0.71</b>	(1.61)
Diluted ( <i>HK cents per share</i> ) ( <i>Note</i> )		<b>0.71</b>	(1.60)

Note: Adjusted for the effect of the bonus issue on 28 November 2016.

## Condensed Consolidated Statement of Financial Position

At 31 December 2016

	<i>NOTES</i>	<b>31.12.2016 (unaudited) HK\$'000</b>	30.6.2016 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>6,106</b>	7,345
Investment properties	<i>10</i>	<b>2,820,897</b>	3,016,666
Goodwill	<i>11</i>	<b>63,549</b>	63,549
		<b><u>2,890,552</u></b>	<u>3,087,560</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	<i>12</i>	<b>24,591</b>	27,169
Bank balances and cash		<b>70,379</b>	62,338
		<b><u>94,970</u></b>	<u>89,507</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>399,171</b>	107,049
Tax liabilities		<b>7,076</b>	7,568
Secured bank and other borrowings	<i>14</i>	<b>66,667</b>	367,262
		<b><u>472,914</u></b>	<u>481,879</u>
<b>NET CURRENT LIABILITIES</b>		<b><u>(377,944)</u></b>	<u>(392,372)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,512,608</u></b>	<u>2,695,188</u>

## Condensed Consolidated Statement of Financial Position

At 31 December 2016

	<i>NOTES</i>	<b>31.12.2016 (unaudited) HK\$'000</b>	30.6.2016 (audited) HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	15	26,850	13,321
Share premium and reserves		<u>1,186,569</u>	<u>1,258,852</u>
Equity attributable to owners of the Company		<u>1,213,419</u>	<u>1,272,173</u>
Non-controlling interests		<u>279,299</u>	<u>290,422</u>
Total equity		<u>1,492,718</u>	<u>1,562,595</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		402,503	431,253
Secured bank and other borrowings	14	592,222	676,191
Bonds	19	<u>25,165</u>	<u>25,149</u>
		<u>1,019,890</u>	<u>1,132,593</u>
		<u>2,512,608</u>	<u>2,695,188</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 July 2015	12,986	255,742	136	191,050	68,044	10,658	610,958	1,149,574	245,844	1,395,418
Profit for the period	-	-	-	-	-	-	242,336	242,336	1,678	244,014
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-
- Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries	-	-	-	(174,666)	-	-	-	(174,666)	-	(174,666)
- Exchange difference arising on translation	-	-	-	(41,942)	-	-	-	(41,942)	(14,634)	(56,576)
Total comprehensive income/(loss) for the period	-	-	-	(216,608)	-	-	242,336	25,728	(12,956)	12,772
Issue of shares under employee share option plan	325	15,251	-	-	-	(4,832)	-	10,744	-	10,744
Disposal of subsidiaries	-	-	-	-	(68,044)	-	-	(68,044)	-	(68,044)
At 31 December 2015	13,311	270,993	136	(25,558)	-	5,826	853,294	1,118,002	232,888	1,350,890
Profit for the period	-	-	-	-	-	-	198,939	198,939	57,534	256,473
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-
- Exchange difference arising on translation	-	-	-	(41,564)	-	-	-	(41,564)	-	(41,564)
Total comprehensive income/(loss) for the period	-	-	-	(41,564)	-	-	198,939	157,375	57,534	214,909
Issue of shares under employee share option plan	10	488	-	-	-	(154)	-	344	-	344
Share option lapsed during the period	-	-	-	-	-	(3,548)	-	(3,548)	-	(3,548)
At 30 June 2016	13,321	271,481	136	(67,122)	-	2,124	1,052,233	1,272,173	290,422	1,562,595
Profit for the period	-	-	-	-	-	-	18,955	18,955	8,238	27,193
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-
- Exchange difference arising on translation	-	-	-	(81,151)	-	-	-	(81,151)	(19,361)	(100,512)
Total comprehensive income/(loss) for the period	-	-	-	(81,151)	-	-	18,955	(62,196)	(11,123)	(73,319)
Issue of shares under bonus issue	13,425	(13,425)	-	-	-	-	-	-	-	-
Issue of shares under employee share option plan	104	4,886	-	-	-	(1,548)	-	3,442	-	3,442
At 31 December 2016	26,850	262,942	136	(148,273)	-	576	1,071,188	1,213,419	279,299	1,492,718

The statutory reserve fund is a reserve required by the relevant laws of the People's Republic of China (the "PRC") applicable to some of the Company's PRC subsidiaries. Appropriations to such reserve are made out of profit for the period as per the statutory accounts of the PRC subsidiaries and the amount and allocation basis are decided by the respective board of directors annually.



## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

		Six months ended	
	NOTES	<b>31.12.2016</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.12.2015 (unaudited) HK\$'000
Net cash generated from operating activities		<b>348,538</b>	163,929
Net cash used in investing activities			
Purchase of property, plant and equipment		<b>(267)</b>	(9,962)
Addition to investment properties		<b>(5,341)</b>	–
Net cash outflow on acquisition of a subsidiary	20	–	(258,912)
Net cash inflow on disposal of subsidiaries	21	–	59,530
Interest received		<b>44</b>	208
		<b>(5,564)</b>	(209,136)
Net cash used in financing activities			
Repayments of bank and other borrowings		<b>(315,000)</b>	(457,738)
Proceeds from issue of new shares		<b>3,442</b>	10,744
Interest paid on bank and other borrowings		<b>(20,335)</b>	(30,654)
Proceeds from borrowings		–	302,381
		<b>(331,893)</b>	(175,267)
Net increase/(decrease) in cash and cash equivalents		<b>11,081</b>	(220,474)
Effect of foreign exchange rate changes		<b>(3,040)</b>	(16,223)
Cash and cash equivalents at the beginning of the period		<b>62,338</b>	300,990
Cash and cash equivalent at the end of the period represented by bank balances and cash		<b>70,379</b>	64,293

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2016

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2016.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 7 (Amendments)	Statement of Cash Flows: Disclosure initiative <sup>1</sup>
HKAS 12 (Amendments)	Income tax: Recognition of deferred tax assets for unrealised losses <sup>1</sup>
HKFRS 2 (Amendments)	Share-based Payment: Classification and measurement of share-based payment transactions <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

The directors of the Company anticipate that the application of these new or revised standards and amendments will have no material effect on how the results and the financial position of the Group are prepared and presented.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the lease payments received and receivable in the normal course of business, net of related taxes for the period. The Group is engaged in the property operating during the period.

Information reported to the Board of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Therefore, the chief operating decision maker only considers the Group's business from a product perspective, rather than from a geographic perspective. From a product perspective, management assesses the performance from property operating for the period ended 31 December 2016, while management assesses the performance from textile products which includes dyeing process of grey fabrics, and from property operating for the period ended 31 December 2015.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements of the Company's 2016 annual report. Segment result represents the profit or loss from each segment without allocation of income tax expense and central administration costs.

One tenant contributed to 10 per cent or more of the Group's turnover for the period ended 31 December 2016. No single customers or tenant contributed to 10 per cent or more of the Group's turnover for the period ended 31 December 2015.

Turnover from major business services:

	<b>Six months ended</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Rental income from leasing of properties	<b>87,059</b>	54,840
<b>Discontinued operations</b>		
Subcontracting income	–	24,127
	<b>87,059</b>	78,967

**3. TURNOVER AND SEGMENT INFORMATION** *(Continued)*

The chief operating decision maker assesses the performance of the operating segments based on sales and net profit.

	<u>Continuing operations</u>	<u>Discontinued operations</u>	
	Property operating HK\$'000	Textile products HK\$'000	Total HK\$'000
<b>Six months ended 31 December 2016</b>			
Turnover	<u>87,059</u>	<u>–</u>	<u>87,059</u>
Segment results	34,389	–	34,389
Income tax expense			(10)
Central administration costs			<u>(7,186)</u>
Profit for the period			<u>27,193</u>
Depreciation	<u>1,014</u>	<u>–</u>	<u>1,014</u>
	<u>Continuing operations</u>	<u>Discontinued operations</u>	
	Property operating HK\$'000	Textile products HK\$'000	Total HK\$'000
<b>Six months ended 31 December 2015</b>			
Turnover	<u>54,840</u>	<u>24,127</u>	<u>78,967</u>
Segment results	8,091	(19,225)	(11,134)
Gain on disposal of subsidiaries			319,277
Income tax expense			(2,238)
Central administration costs			<u>(61,891)</u>
Profit for the period			<u>244,014</u>
Depreciation	<u>342</u>	<u>7,501</u>	<u>7,843</u>

## 4. FINANCE COSTS

	Six months ended	
	31.12.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Interest on		
– Bank and other borrowings wholly repayable within five years	4,480	8,852
– Bank and other borrowings wholly repayable over five years	15,855	20,263
– Bonds	1,029	1,028
	<u>21,364</u>	<u>30,143</u>
<b>Discontinued operations</b>		
Interest on		
– Bank and other borrowings wholly repayable within five years	–	1,540
	<u>21,364</u>	<u>31,683</u>

## 5. INCOME TAX EXPENSE

	Six months ended	
	31.12.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Income tax recognised in profit and loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	10	2,238
<b>Discontinued operations</b>		
Income tax recognised in profit and loss		
PRC EIT		
– Current income tax	–	–

Hong Kong Profits Tax was calculated at 16.5% (1.7.2015 to 31.12.2015: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during the periods ended 31 December 2015 and 2016.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25%.

The Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax has been provided for in the condensed consolidated financial statements in respect of the undistributed profits earned by the Company's PRC subsidiaries attributable to the Group under the EIT Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

## 6. PROFIT/(LOSS) FOR THE PERIOD

	<b>Six months ended</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit/(loss) for the period has been arrived at after charging (crediting):		
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	<b>1,018</b>	343
Bad debts	<b>429</b>	–
Interest income	<b>(44)</b>	(56)
	<hr/>	<hr/>
<b>Discontinued operations</b>		
Depreciation of property, plant and equipment	–	7,501
Release of prepaid lease payments	–	234
Interest income	–	(152)
	<hr/>	<hr/>

## 7. DIVIDEND PAID

No dividend was paid or proposed during the period nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## 8. DISCONTINUED OPERATIONS

On 28 August 2015, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Global Art International Limited, Good Fame Group Limited, Art Bright Holdings Limited, Art Gate Limited, Fuzhou Huaguan Knitting and Springing Co., Ltd. and Fuzhou Huasheng Textile Co., Ltd. (collectively referred to as the “Disposal Group”) to an independent third party at a consideration of HK\$260,788,000. The principal activity of the Disposal Group is dyeing process of grey fabrics. The disposal was completed on 31 December 2015. Details of the above are set out in the circular of the Company dated 8 December 2015.

**8. DISCONTINUED OPERATIONS** *(Continued)*

Analysis of profit for the period from discontinued operations:

The results of the discontinued operations included in the condensed consolidated financial statements for the current and prior periods are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the period ended 31 December 2015.

		<b>Textile products</b>	
		<b>31.12.2016 (unaudited) HK\$'000</b>	31.12.2015 (unaudited) HK\$'000
	<i>Notes</i>		
Turnover	3	–	24,127
Cost of sales		–	(34,598)
Gross loss		–	(10,471)
Other income		–	274
Selling and distribution costs		–	(1,766)
Administrative expense		–	(6,328)
Other expenses		–	(14,677)
Finance costs	4	–	(1,540)
Gain on disposal of discontinued operations		–	319,277
Profit before tax		–	284,769
Income tax expense	5	–	–
Profit for the period	6	–	284,769

The cash flows of the discontinued operations for the current and prior periods are as follows:

		<b>Textile products</b>	
		<b>31.12.2016 (unaudited) HK\$'000</b>	31.12.2015 (unaudited) HK\$'000
Net cash used in operating activities		–	(1,134)
Net cash used in investing activities		–	(3,739)
Net cash generated from financing activities		–	4,414
Net cash outflow from discontinued operations		–	(459)



**8. DISCONTINUED OPERATIONS** *(Continued)*

Effect of disposal on the financial position of the Group:

	HK\$'000 (unaudited)
<i>Analysis of assets and liabilities over which control was lost:</i>	
Property, plant and equipment	85,541
Prepaid lease payments	17,277
Inventories	720
Trade and other receivables	511,483
Bank balances and cash	2,070
Trade and other payables	(360,382)
Secured bank borrowings	(41,667)
Deferred tax liabilities	(10,165)
	<u>204,877</u>

**9. EARNINGS/(LOSS) PER SHARE**

	Six months ended	
	31.12.2016 (unaudited) HK\$'000	31.12.2015 (unaudited) HK\$'000
EARNINGS/(LOSS) PER SHARE		
Basic <i>(HK cents per share)</i>		
– continuing operations <i>(Note)</i>	0.71	(1.61)
– discontinued operations <i>(Note)</i>	–	10.78
	<u>0.71</u>	<u>9.17</u>
Diluted <i>(HK cents per share)</i>		
– continuing operations <i>(Note)</i>	0.71	(1.60)
– discontinued operations <i>(Note)</i>	–	10.74
	<u>0.71</u>	<u>9.14</u>

**9. EARNINGS/(LOSS) PER SHARE (Continued)**

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company was based on the following data:

	<b>Six months ended</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings/(loss)</b>		
Profit for the period used in calculation of basic and diluted earnings/(loss) per share from discounted operations	–	284,769
Profit/(loss) for the period used in the calculation of basic and diluted earnings/(loss) per share from continuing operations	<u>18,955</u>	<u>(42,433)</u>
Profit for the period attributable to the owners of the Company and earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u>18,955</u>	<u>242,336</u>

	<b>Six months ended</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (Note)	<u>2,678,413</u>	2,641,634
Effect of dilutive potential ordinary shares in respect of share options issued by the Company (Note)	<u>6,100</u>	<u>9,269</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>2,684,513</u>	<u>2,650,903</u>

Note: Adjusted for the effect of the bonus issue on 28 November 2016.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group incurred approximately HK\$267,000 (1.7.2015 to 31.12.2015: HK\$9,962,000) for purchase costs of furniture, fixtures, office equipment and motor vehicles in order to facilitate the operations of its investment properties.

Investment properties of approximately HK\$260,476,000 were acquired through acquisition of a subsidiary during the period ended 31 December 2015. Details of acquisition of a subsidiary were disclosed in note 20.

## 11. GOODWILL

	HK\$'000
Cost	
At 1 July 2015	34,764
Additional amounts recognised from business combinations occurring during the period	<u>28,785</u>
At 31 December 2015, 1 July 2016 and 31 December 2016	<u>63,549</u>

## 12. TRADE AND OTHER RECEIVABLES

There are no specific credit terms given to the tenants. Monthly rentals in respect of retail properties are payable in advance by tenants in accordance with the leases. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>31.12.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2016 HK\$'000 (audited)
0 – 90 days	<b>8,016</b>	9,350
Over 90 days	<b>13</b>	<u>953</u>
Trade receivables	<b>8,029</b>	10,303
Prepayment and other receivables	<b>16,562</b>	<u>16,866</u>
	<b>24,591</b>	<u>27,169</u>

**13. TRADE AND OTHER PAYABLES**

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	<b>31.12.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2016 HK\$'000 (audited)
0 – 90 days	<b>959</b>	–
Over 90 days	<b>490</b>	–
	<hr/>	<hr/>
Trade payables	<b>1,449</b>	–
Received in advance	<b>21,934</b>	20,462
Deposits received from tenants	<b>21,635</b>	21,832
Amount due to a substantial shareholder ( <i>Note</i> )	<b>342,946</b>	52,365
Accrued charges and other payables	<b>11,207</b>	12,390
	<hr/>	<hr/>
	<b>399,171</b>	107,049
	<hr/>	<hr/>

*Note:* The amount is a loan provided by a substantial shareholder to repay part of other borrowings at a high interest rate. The amount is unsecured, interest free and has no fixed term of repayment.

**14. SECURED BANK AND OTHER BORROWINGS**

The Group did not obtain any new borrowings during the period (1.7.2015 to 31.12.2015: HK\$302,381,000). Total repayment of bank and other borrowings during the period was \$315,000,000 (1.7.2015 to 31.12.2015: HK\$457,738,000). The loans carried interests at floating rates and are repayable within 8 years.

## 15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each, at 1 July 2015, 1 July 2016	2,000,000,000	20,000
Increase in authorised share capital ( <i>Note 1</i> )	3,000,000,000	30,000
	<u>5,000,000,000</u>	<u>50,000</u>
Ordinary shares of HK\$0.01 each, at 31 December 2016		
Issued and fully paid:		
Ordinary shares of HK\$0.01 each, at 1 July 2015	1,298,602,583	12,986
Exercise of share options	33,500,000	335
	<u>1,332,102,583</u>	<u>13,321</u>
At 30 June 2016 and 1 July 2016		
Issue of bonus shares ( <i>Note 2</i> )	1,342,502,580	13,425
Exercise of share options	10,400,000	104
	<u>2,685,005,163</u>	<u>26,850</u>

*Note 1:* Ordinary resolution has been passed at extraordinary general meeting held on 16 November 2016 to increase the authorized share capital of the Company by creating of an additional 3,000,000,000 new shares.

*Note 2:* On 28 November 2016, an aggregate of 1,342,502,580 shares were issued on the basis of ten new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 24 November 2016.

**16. SHARE-BASED PAYMENTS**

The Company adopts a share option scheme for eligible participants, including directors and employees of the Group and other participants. Details of the share options granted to the directors and employees of the Group outstanding during the period are as follows:

	<b>Number of share options</b>
Outstanding at 1 July 2015	72,600,000
Granted during the period	–
Exercised during the period	<u>(32,460,000)</u>
Outstanding at 31 December 2015	40,140,000
Granted during the period	–
Lapsed during the period	(24,720,000)
Exercised during the period	<u>(1,040,000)</u>
Outstanding at 30 June 2016 and 1 July 2016	14,380,000
Granted during the period	–
Effect of bonus shares issued ( <i>Note</i> )	3,980,000
Exercised during the period	<u>(10,400,000)</u>
Outstanding at 31 December 2016	<u>7,960,000</u>

*Note:* Adjusted for the effect of the bonus issue on 28 November 2016.

**17. COMMITMENTS****Operating Lease Commitment***The Group as lessor*

Property rental income, management fee income and operating service income earned during the period was HK\$87,059,000 (1.7.2015 to 31.12.2015: HK\$54,840,000). All properties have committed tenants ranging from the next 1 to 17 years have an option to renew the lease after that date at which time all terms are renegotiated.

At 31 December 2016, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>31.12.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2016 HK\$'000 (audited)
Within one year	<b>144,995</b>	167,508
In the second to fifth years inclusive	<b>438,968</b>	484,495
Over five years	<b>655,868</b>	778,004
	<hr/> <b>1,239,831</b>	<hr/> 1,430,007

*The Group as lessee*

At 31 December 2016, the Group has commitments for future minimum lease payments for rented premises under non-cancellable operating leases which fall due as follows:

	<b>31.12.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2016 HK\$'000 (audited)
Within one year	<b>17,287</b>	10,032
In the second to fifth years inclusive	<b>450</b>	921
Over five years	<b>—</b>	—
	<hr/> <b>17,737</b>	<hr/> 10,953

**17. COMMITMENTS** *(Continued)***Operating Lease Commitment** *(Continued)**The Group as lessee (Continued)*

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for a term ranging from 1 to 4 years with fixed rentals. Most of the operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

**18. RELATED PARTY TRANSACTIONS**

(a) The remuneration of key management during the period was as follows:

	<b>Six months ended</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short-term benefits	<b>1,936</b>	1,896
Retirement benefit scheme contributions	<b>27</b>	30
	<b>1,963</b>	1,926

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.



**18. RELATED PARTY TRANSACTIONS** *(Continued)*

(b) As at 31 December 2016, the Group had the following balance with related party:

	<b>31.12.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2016 HK\$'000 (audited)
Amount due to a substantial shareholder <i>(Note)</i>	<u><b>342,946</b></u>	<u>52,365</u>

*Note:* The amount is a loan provided by a substantial shareholder to repay part of other borrowings at a high interest rate. The amount is unsecured, interest free and has no fixed term of repayment.

**19. BONDS**

On 10 July 2013, the Company issued unlisted and non-transferable bond of HK\$10,000,000 to an independent third party at face value with issuing cost of HK\$120,000. The bond is interest bearing at 8.00% per annum, unsecured and repayable on the seventh anniversary of the date of issue. The bond was initially recognised at HK\$9,862,000 less issuing cost of HK\$120,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.33% (1.7.2015 to 31.12.2015: 8.33%) per annum.

On 13 August 2014, the Company issued two unlisted and non-transferable bonds at face value of HK\$5,340,000 and HK\$10,000,000 to two independent third parties. The bonds are interest bearing at 8.00% per annum, unsecured and repayable on the seventh and half anniversary of the respective date of issue. The bonds were initially recognised at HK\$15,309,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.05% (1.7.2015 to 31.12.2015: 8.05%) per annum.

During the period, interests on the bonds were owned by the Company at the total consideration of approximately HK\$1,013,000 (1.7.2015 to 31.12.2015: HK\$1,013,000).

**19. BONDS** *(Continued)*

The movements of the liability component of the Group's bonds during the six months ended 31 December 2016 are as follows:

	<b>31.12.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>
Liability component at 30 June 2015 (audited)	<b>25,110</b>
Effective interest charged for the year	<b>2,066</b>
Coupon interest paid/payable	<b>(2,027)</b>
	<hr/>
Liability component at 30 June 2016 (audited)	<b>25,149</b>
Effective interest charged for the period	<b>1,029</b>
Coupon interest paid/payable	<b>(1,013)</b>
	<hr/>
Liability component at 31 December 2016	<b>25,165</b>
	<hr/>

**20. ACQUISITION OF A SUBSIDIARY**

On 30 October 2015, the Group acquired entire equity interest in a company from an independent third party, of which the principal activity of its subsidiary is property services and rental in the PRC. The purchase consideration was RMB218,000,000 (equivalent to approximately HK\$259,524,000) in cash and comprised (1) RMB120,294,000 (equivalent to approximately HK\$143,207,000) for the entire equity interests in Zhengzhou Jiacong Property Services Company Limited and (2) RMB97,706,000 (equivalent to approximately HK\$116,317,000) for repayment of amount due to Zhengzhou Changke Trading Company Limited ("Changke"). Details of the above are set out in the circular of the Company dated 20 July 2015. This acquisition has been accounted for using the purchase method.

**20. ACQUISITION OF A SUBSIDIARY** *(Continued)*

The assets and liabilities acquired recognised at the date of acquisition:

	HK\$'000 (unaudited)
Investment properties	260,476
Bank balances and cash	612
Other payables and accruals	(116,424)
Deferred tax liabilities	<u>(30,242)</u>
	114,422
Goodwill	28,785
Repayment of amount due to Changke	<u>116,317</u>
	<u>259,524</u>
Consideration:	
Cash paid for entire equity interests	143,207
Repayment of amount due to Changke	<u>116,317</u>
	<u>259,524</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	259,524
Bank balances and cash acquired	<u>(612)</u>
Net cash outflow	<u>258,912</u>

Acquisition-related costs amounting to HK\$2,222,000 has been excluded from the consideration transferred and have been recognised as expenses in the condensed consolidated statements of profit or loss and other comprehensive income.

**21. DISPOSAL OF SUBSIDIARIES**

On 28 August 2015, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Global Art International Limited, Good Fame Group Limited, Art Bright Holdings Limited, Art Gate Limited, Fuzhou Huaguan Knitting and Springing Co., Ltd. and Fuzhou Huasheng Textile Co., Ltd. (collectively referred to as the “Disposal Group”) to an independent third party at a consideration of HK\$260,788,000. The principal activity of the Disposal Group is dyeing process of grey fabrics. The disposal was completed on 31 December 2015. Details of the above are set out in the circular of the Company dated 8 December 2015.

	HK\$'000 (unaudited)
<i>Analysis of assets and liabilities over which control was lost:</i>	
Property, plant and equipment	85,541
Prepaid lease payments	17,277
Inventories	720
Trade and other receivables	511,483
Bank balances and cash	2,070
Trade and other payables	(360,382)
Secured bank borrowings	(41,667)
Deferred tax liabilities	(10,165)
	<hr/>
	204,877
	<hr/>
<i>Gain on disposal of subsidiaries:</i>	
Total consideration	281,444
Less:	
Net assets disposed of	204,877
Statutory reserves	(68,044)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the Disposal Group	(174,666)
	<hr/>
Gain on disposal	319,277
	<hr/>

**21. DISPOSAL OF SUBSIDIARIES** *(Continued)*

	HK\$'000 (unaudited)
<i>Total consideration satisfied by:</i>	
Gross cash received	281,444
Less: disposal group loan (A) and (B) <i>(Note)</i>	<u>(193,444)</u>
Cash consideration	88,000
Consideration receivable	<u>(26,400)</u>
Consideration received in cash	<u>61,600</u>
<i>Net cash inflow arising on disposal:</i>	
Consideration received in cash	61,600
Bank balances and cash disposed of	<u>(2,070)</u>
	<u>59,530</u>

The outstanding cash consideration was settled in cash and in full in January 2016.

*Note:* Please refer to the circular of the Company dated 8 December 2015.

**22. EVENT AFTER THE REPORTING PERIOD**

There are no post balance sheet events that require to be reported.

## Management Discussion and Analysis

### OPERATIONAL AND FINANCIAL REVIEW

#### Continuing Operations

The Group was engaged in the property operating segment during the Period through holding 75% equity interests in 鄭州佳潮物業服務有限公司 (Zhengzhou Jiachao Property Services Company Limited) (“Jiachao”) by the Company’s indirect wholly-owned subsidiary registered in the People’s Republic of China (the “PRC”). The major asset of Jiachao is a shopping mall situated in Zhengzhou City, Henan Province, the PRC (the “Jiachao’s Shopping Mall”). The Group owns the Jiachao’s Shopping Mall and generates revenue from the monthly incomes of rental, management and operating services payable by various tenants under the respective tenancy agreements with a term ranging from one year to 17 years. The Jiachao’s Shopping Mall is a one-stop shopping paradise with over 170 tenants that offer a wide range of services and goods including shopping, dining and entertainment, such as a renowned department store, a cinema, KTV, jewellery and watches, beauty, electrical appliances, international labels for fashion, lifestyle, casual wear/sport, kid’s paradise and food and beverages restaurants. All shop units in the Jiachao’s Shopping Mall were rented out as at 31 December 2016.

Furthermore, the Group aimed to diversify its operations into different kinds of business and more resources had been put into the property operating segment in order to explore future prospects and develop relevant markets. Therefore, the Board acquired the entire equity interests in 鄭州佳聰物業服務有限公司 (Zhengzhou Jiacong Property Services Company Limited) (“Jiacong”) by an indirect wholly-owned PRC subsidiary of the Company in October 2015. The major asset held by Jiacong is 164 shops in a giant theme shopping mall (the “Jiacong’s Shops”) situated in Zhengzhou City, Henan Province, the PRC. As at 31 December 2016, all of the Jiacong’s Shops had been rented out to tenants selling textile materials, accessories and products for a term of more than four years.

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In addition, Jiachao leased from a real estate developer shop units in a shopping mall (the "Zone C Shopping Mall") for a term of one year. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao's Shopping Mall. Jiachao promoted and further rented out the Zone C Shopping Mall to independent tenants. Jiachao has an advantage of having an existing team of caliber and experienced management and staff to run the Zone C Shopping Mall. As such, the extra costs for running the Zone C Shopping Mall is minimal to Jiachao while it is earning considerable amount of rental income from renting out the Zone C Shopping Mall to target tenants. The Board believes that the larger the area for shopping, the more the number of similar types of shops opened, which may in turn attract more customers by offering them a large diversity and well-known brand choices. The management of both the Jiachao's Shopping Mall and the Zone C Shopping Mall by Jiachao will bring positive benefits and synergy effects on the customer flow and the tenant grade to the Group, which eventually contributes to turnover and profit margin of the property operating business of the Group. All the commercial space of the Zone C Shopping Mall had been leased out as retail shops, restaurants, entertainment and/or leisure use which offers a wide range of services and goods with over 130 tenants including a cinema, an aquarium, watches, beauty, international labels for fashion, lifestyle, casual wear/sport, kid's paradise and food and beverages restaurants.

### *Turnover*

For the Period, the Group recorded a turnover of approximately HK\$87,059,000 (2015: HK\$54,840,000), approximately 58.8% more than that in 2015. Since the Group holds the Jiachao's Shopping Mall and the Jiacong's Shops as investment properties during the Period, turnover of the property operating segment included the monthly incomes of rental, management and operating services received and receivable from the tenants. Turnover of the property operating segment also included the incomes generated from renting out the Zone C Shopping Mall to target tenants. Increase in turnover during the Period was due to the increase in number of tenants in the Jiachao's Shopping Mall and the Zone C Shopping Mall, as well as the receipt of rental income of the Jiacong's Shops after the end of rent-free period offered to tenants at the beginning of 2016.

### *Gross Profit*

The gross profit margin was approximately 65.4% for the Period (2015: 73.2%). High gross profit margin of the property operating segment was due to its simple costs of sales based on the business nature, such as electricity and heat supply charges, public security and hygiene expenses, repair and maintenance fees etc. Decrease in gross profit margin for the Period was mainly due to increase in utilities charges and rental expenses of the Zone C Shopping Mall incurred throughout the Period.

*Profit for the Period*

The Group's profit generated from the property operating segment for Period was approximately HK\$27,193,000 (loss in 2015: HK\$40,755,000). A profit for the Period was because of the increase in number of tenants in the Jiachao's Shopping Mall and the Zone C Shopping Mall, the receipt of rental income of the Jiacong's Shops after the end of rent-free period offered to tenants at the beginning of 2016 and the decrease in finance costs as a consequence of the repayment of a borrowing with high interest rate. Simultaneously, the profit margin was 31.2% for the Period (2015: negative 74.3%).

*Other Income*

Other income for the Period was approximately HK\$5,587,000 (2015: HK\$5,055,000), which was other kinds of incomes earned by Jiachao, such as car parking fees and other services, was maintained at similar level during the Period.

*Expenses*

Administrative expense amounted to approximately HK\$13,492,000 (2015: HK\$11,063,000), representing approximately 15.5% (2015: 20.2%) of turnover for the Period. Administrative expense increased by approximately 22.0% when compared with that of 2015 because of the increase in number of tenants in the Jiachao's Shopping Mall and the Zone C Shopping Mall and full-period operation of the Jiacong's Shops, as well as professional fees incurred for bonus issue and change of the Company's name during the Period.

Other expenses amounted to approximately HK\$429,000 (2015: HK\$42,501,000), representing approximately 0.5% (2015: 77.5%) of turnover for the Period. The significant decrease was due to material devaluation of RMB by the PRC government implemented during the six months ended 31 December 2015.

Finance costs amounted to approximately HK\$21,364,000 (2015: HK\$30,143,000), representing approximately 24.5% (2015: 55.0%) of turnover for the Period. The decrease was due to the repayment of a borrowing with high interest rate during the Period.

*Dividend*

The Board does not recommend the payment of an interim dividend for the Period (2015: Nil).



### **Discontinued Operations**

The Group was engaged in the dyeing process of grey fabrics provided by its long-term relationship customers and new customers in the PRC during the period from July 2015 to December 2015 with an aim to reduce production cost and strike for better financial performance. The Board decided to dispose of a number of subsidiaries that principally engaged in the dyeing process of grey fabrics (the “Disposal Group”), i.e. the textile products segment, and entered into a sale and purchase agreement on 28 August 2015 with an independent third party so as to mitigate its financial burden and negative impact and allocate its resources on the property operating segment for its long-term advantage. The completion of this disposal took place on 31 December 2015. For further details of the disposal, please refer to the announcement of the Company dated 28 October 2015 and the circular of the Company dated 8 December 2015.

There was neither turnover nor net profit from the Disposal Group during the Period (2015: turnover of HK\$24,127,000 and net profit of HK\$284,769,000) and nil expenses were incurred during the Period as the disposal of the Disposal Group was completed on 31 December 2015. For further information, please refer to note 8 to the condensed consolidated financial statements in this report.

### **FUTURE PLANS AND PROSPECTS**

In view of achieving the best interests of the Company and its shareholders as a whole, the Group has been putting effort in enlarging its operations of property operating business. Substantial resources have been placed into property operating business to explore future prospects and develop the relevant markets, with a view to maximize the Company’s development and the shareholders’ return. By doing this, the Group is principally engaged in property operating business and owns two properties, namely the Jiachao’s Shopping Mall and the Jiacong’s Shops. Both properties are situated in Zhengzhou City, Henan Province, the PRC and were acquired in 2015 for rental purpose.

The Group's long-term plans are to upgrade its tenants of the Jiachao's Shopping Mall by offering tenancies to more popular brands and will continue to diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group conducts large scale marketing and promotion activities so that a stable and constant stream of rental income and fairly rigid cash flow can be continuously generated to the Group. The Jiacong's Shops are in the giant theme shopping mall selling textile materials, accessories and products. The extensive knowledge, experience and network of the directors of the Company in the textile business will enable the Group to grasp decisive opportunities in the promotion of renting these shops; hence, more suitable and profitable textile business operators can be identified as target tenants of the Jiacong's Shops.

By leveraging on the Group's current strategic plan and established strengths, experience and foresight, the Group continues to seize opportunities to penetrate into property operating markets, explore other new market potential and increase profit margin. Moreover, the Group intends to manage and operate the property operating segment by the current caliber management and competent employees of subsidiaries. Simultaneously, the Group continues to implement conservative and stringent cost control policies in order to maintain sufficient working capital by imposing control over operating costs and capital expenditures and strengthening accounts receivable management.

Looking forward, the Group continues to place additional resources to realize growth momentum from the development of property operating markets. The Jiachao's Shopping Mall and the Jiacong's Shops acquired by the Group are situated in Zhengzhou City, the centre of the PRC and one of the National Central Cities, and with good economic and demographic fundamentals, which enables the Group to diversify its business operations into property operating market in depth. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future with full recovery of the worldwide economy. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximized in long-term.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2016, the Group had net current liabilities and total assets less current liabilities of approximately HK\$377,944,000 (30 June 2016: HK\$392,372,000) and HK\$2,512,608,000 (30 June 2016: HK\$2,695,188,000), respectively. The Group maintains a sound financial position by financing its operations with internally generated resources, bonds and loans. As at 31 December 2016, the Group had cash and bank deposits of approximately HK\$70,379,000 (30 June 2016: HK\$62,338,000). The current ratio of the Group was approximately 20.1% (30 June 2016: 18.6%).

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Total equity of the Group as at 31 December 2016 was approximately HK\$1,492,718,000 (30 June 2016: HK\$1,562,595,000). As at 31 December 2016, the total borrowings of the Group, repayable from within 12 months to eight years from the end of the reporting period, denominated in RMB593,000,000, which were equivalent to approximately HK\$658,889,000 (30 June 2016: HK\$1,043,453,000) and three bonds measured at amortised cost was HK\$25,165,000 (30 June 2016: HK\$25,149,000). As at 31 December 2016, the gross debt gearing ratio (i.e. total borrowings and bonds/shareholders' fund) was approximately 45.8% (30 June 2016: 68.4%).

The Group has maintained and will continue to maintain a significant amount of working capital on hand in order to maintain a healthy financial position, and adequate resources are expected to be generated from its business operations in meeting its short-term and long-term obligations.

### **FINANCING**

As at 31 December 2016, the total borrowing facilities of the Group amounted to approximately HK\$658,889,000 (30 June 2016: HK\$1,043,453,000), of which, all facilities (30 June 2016: all facilities) was utilized. In addition, three bonds (30 June 2016: three bonds) amounted to approximately HK\$25,165,000 (30 June 2016: HK\$25,149,000), measured at amortised cost, were arranged with three independent third parties.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

### **CAPITAL STRUCTURE**

As at 31 December 2016, the share capital of the Company comprises ordinary shares only.

On the capital structure of the Company, the authorised share capital of the Company was increased from HK\$20,000,000 divided into 2,000,000,000 shares to HK\$50,000,000 divided into 5,000,000,000 shares by creation of an addition 3,000,000,000 shares of HK\$0.01 par value each in the capital of the Company during the Period.

During the Period, the Company has completed a bonus issue. As a result, a total number of 1,342,502,580 new shares were issued and allotted. Details of which are set out in note 15 to the condensed consolidated financial statements in this report, the circular of the Company dated 1 November 2016, and the announcements of the Company dated 16 November 2016 and 28 November 2016, respectively.

#### **FOREIGN EXCHANGE RISK AND INTEREST RATE RISK**

During the Period, the Group was not subject to any significant exposure to foreign exchange rates risk as the majority of its transactions were denominated in RMB. Hence, no financial instrument for hedging was employed.

The Board monitors interest rate change exposure and may consider a hedging policy should the need arise.

#### **CHARGE ON GROUP'S ASSETS**

As at 31 December 2016, certain investment properties of the Group with aggregate carrying values of approximately HK\$1,123,063,000 (30 June 2016: HK\$1,203,282,000) were pledged to a bank to secure banking facilities granted to the Group.

#### **STAFF POLICY**

The Group had 166 employees altogether in the PRC and Hong Kong as at 31 December 2016. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contribution to fund the endowment insurance, unemployment insurance, medical insurance and employees' compensation insurance at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

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Four independent non-executive directors are appointed for a term of 1 year commencing from either on 11 April, 19 September, 15 October or 1 December each year.

### CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### Long positions

(a) *Ordinary shares of HK\$0.01 each of the Company*

Name of director	Capacity	Number of issued ordinary shares held (Note 4)	Percentage of the issued share capital of the Company
Mr. Chen Dong	Held by his spouse (Note 1)	369,100,000	13.75%
Mr. Chen Jinyan	Held by controlled corporation (Note 2)	593,480,000	22.10%
Mr. Chen Jinqing	Held by controlled corporation (Note 3)	166,000,000	6.18%

*Notes:*

- (1) Among the 369,100,000 shares, 324,340,000 shares are held by Jinjie Limited, a company incorporated in the British Virgin Islands (the "BVI"), the entire issued share capital of which is beneficially owned by the spouse of Mr. Chen Dong, Ms. Lin Lin and 44,760,000 shares are held by Ms. Lin Lin. Mr. Chen Dong is deemed to be interested in 369,100,000 shares of the Company.
- (2) The shares are held by Fully Chain Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinyan. Mr. Chen Dong is the younger brother of Mr. Chen Jinyan.
- (3) The shares are held by Ultimate Name Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinqing. Mr. Chen Jinqing is the youngest brother of Mr. Chen Jinyan and Mr. Chen Dong. All three of them are executive directors.
- (4) Adjusted for the effect of the bonus issue on 28 November 2016.

*(b) Share options*

Name of director	Capacity	Number of share options held <i>(Note)</i>	Number of underlying shares <i>(Note)</i>
Mr. Chen Jinyan	Beneficial owner	3,800,000	3,800,000
Mr. Lin Ye	Beneficial owner	2,080,000	2,080,000
Mr. Yang Zeqiang	Beneficial owner	2,080,000	2,080,000

*Note:* Adjusted for the effect of the bonus issue on 28 November 2016.

Other than as disclosed above, none of the directors, chief executives or their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2016.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share options" above, at no time during the Period under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

#### Long positions – Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held <i>(Note)</i>	Percentage of the issued share capital of the Company
Lin Lin	Beneficial owner and interest in a controlled corporation	369,100,000	13.75%

*Note:* Adjusted for the effect of the bonus issue on 28 November 2016.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2016.

### SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements of the Company's 2016 annual report.

The following table disclosed movements in the Company's share options during the Period:

Grantee	Date of grant	Exercise period	Exercise price (Note 1) HK\$	Outstanding at 1.7.2016	Granted during the Period	Exercised during the Period	Bonus issue during the Period	Outstanding at 31.12.2016 (Note 2)
<b>Directors</b>								
Mr. Chen Jinyan	10.7.2008	1.8.2008 to 31.7.2018	0.179	1,900,000	-	-	1,900,000	3,800,000
Mr. Lin Ye	22.5.2014	22.5.2014 to 21.5.2024	0.166	1,040,000	-	-	1,040,000	2,080,000
Mr. Yang Zeqiang	22.5.2014	22.5.2014 to 21.5.2024	0.166	1,040,000	-	-	1,040,000	2,080,000
				<u>3,980,000</u>	<u>-</u>	<u>-</u>	<u>3,980,000</u>	<u>7,960,000</u>
<b>Employees</b>								
	22.5.2014	22.5.2014 to 21.5.2024	0.331	10,400,000	-	(10,400,000)	-	-
				<u>10,400,000</u>	<u>-</u>	<u>(10,400,000)</u>	<u>-</u>	<u>-</u>
<b>Granted Total</b>				<u>14,380,000</u>	<u>-</u>	<u>(10,400,000)</u>	<u>3,980,000</u>	<u>7,960,000</u>

Note: (1) The exercise prices of the outstanding share options and the number of shares that can be subscribed for upon the exercise of the outstanding share options are adjusted upon the issuance of bonus shares on 28 November 2016 in accordance with the factual findings reported by the auditor.

(2) Adjusted for the effect of the bonus issue on 28 November 2016.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CODE ON CORPORATE GOVERNANCE

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company. Consequently, during the Period, the Company complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.



## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Group has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the code of conduct and the required standard set out in the Model Code throughout the Period.

## **AUDIT COMMITTEE**

The Company has an audit committee with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process, risk management and internal controls of the Group. The audit committee comprised four members, all being independent non-executive directors.

During the Period, the audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period and discussed auditing, risk management, internal control and financial reporting matters, such as the review of the interim report with the management.

By order of the Board

**Chen Jinyan**

*Chairman*

Hong Kong

24 February 2017